

LEGISLATURE OF THE STATE OF IDAHO
Sixty-first Legislature First Regular Session - 2011

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 11

BY REVENUE AND TAXATION COMMITTEE

AN ACT

RELATING TO TAXATION OF FOREST LANDS; AMENDING SECTION 63-1705, IDAHO CODE, TO REMOVE A REQUIREMENT TO CONDUCT A FOREST MANAGEMENT COST STUDY EVERY FIVE YEARS, TO REQUIRE A FOREST MANAGEMENT COST STUDY BE CONDUCTED PERIODICALLY AND TO REVISE THE MEMBERSHIP OF THE COMMITTEE ON FOREST LAND TAXATION METHODOLOGIES.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 63-1705, Idaho Code, be, and the same is hereby amended to read as follows:

63-1705. TAXATION OF FOREST LANDS UNDER THE PRODUCTIVITY OPTION. (1) In order to encourage private forest landowners to retain and improve their holdings of forest lands and to promote better forest management, forest lands subject to this option shall be appraised, assessed and taxed as real property under the provisions of this section.

(2) The forest land value shall be determined by the timber productivity valuation process, as provided for in the committee on forest land taxation methodologies, User's Guide to the Timber Productivity Option's Valuation Method - 2005 (Schlosser, January 1, 2005, Moscow, Idaho), referred to in this chapter as the "user's guide," on file with the Idaho state tax commission, available on the website of the Idaho state tax commission, and which shall be made available in the office of each county assessor, which values the net wood production over a reasonable rotation period plus other agricultural-related income, if any, less annualized custodial expenses as defined in section 63-1701, Idaho Code. Pursuant to the provisions of this section, the inventory of forest products shall not be included as part of the valuation of the forest land as provided in section 63-602W, Idaho Code. The state tax commission shall promulgate rules relating to the timber productivity valuation process, including custodial expenses, as provided for in the user's guide and the provisions of this chapter.

(3) ~~Effective January 1, 2005, t~~The market value for assessment purposes shall be determined annually by the county assessor using the timber productivity valuation process developed by the CFTM, and as further prescribed in rule. Notwithstanding any other provision of law, the state tax commission is authorized to cite the user's guide in its rules and shall:

(a) Divide the state into appropriate forest valuation zones, with each zone designated so as to recognize the uniqueness of marketing areas, timber types, growth rates, access, operability, and other pertinent factors of that zone;

(b) Establish a uniform system of forest land classification which considers the productive capacity of the soil to grow forest products and furnish other associated agricultural uses;

(c) Provide for the annual input to the timber productivity valuation process including the stumpage value, rotation length, mean annual increment, guiding discount rate, annualized custodial expenses, appropriate property tax rates, and real price appreciation rate of stumpage according to the user's guide. The guiding discount rate and the real price appreciation rate for timber products shall remain constant at four percent (4%) and one and one-quarter percent (1.25%) respectively, until January 1, 2012;

(d) Upon the recommendation of the CFTM or when deemed appropriate by the commission according to evidence of significant trends in custodial expenses, cConduct a forest management cost study; every five (5) years to determine the annualized custodial expenses to be used in the timber productivity valuation process as provided in the user's guide. The first study shall be conducted in 2005 and evaluated by the CFTM, with the results incorporated into the user's guide timber productivity valuation process on January 1, 2007. The forest management cost study shall be funded by the state tax commission, subject to appropriation by the legislature provided however, that such forest management cost study shall be no more frequent than five (5) years from the previous forest management cost study. The forest management cost study and a report shall be provided to the CFTM following a recommendation of any changes in custodial expenses and the CFTM shall determine whether the cost study will be incorporated into the forest land valuation process;
and

(e) Provide for any additional data as needed.

(4) The state tax commission shall by March 1 of each year, furnish all input for the timber productivity valuation process to the county assessor.

(5) Stumpage values shall be based upon the preceding five (5) year rolling average value of timber harvested within the forest value zone from state timber sales and/or the best available data for the same five (5) year period. Average agricultural-related income and the average expense component for each forest value zone shall be determined for the same time period as the period used to determine average stumpage values.

(6) Forest lands upon which, at any time after January 1, 1982, the trees are destroyed by fire, disease, insect infestation or other natural disaster such that the lands affected will not meet minimum stocking requirements under rules adopted pursuant to chapter 13, title 38, Idaho Code, shall be eligible for a reduction in value for the first ten (10) property tax years following the loss. The amount of reduction shall be determined by dividing the average age of the trees destroyed by the rotation age for the specific forest productivity class appropriate for the affected acres. In no instance shall the annual reduction exceed eighty percent (80%) of the original forest value per year. In order to obtain a reduction, the landowner shall, on or before January 1, following the destruction, make written application to the assessor indicating the legal description of the lands in question and stating all pertinent facts. The assessor may investigate the facts and may request assistance from the state tax commission in performing such investigations. If the requirements are met, such forest lands shall be assessed and taxed on the reduced basis herein provided.

1 (7) Buildings and other improvements, other than roads, located on for-
 2 est lands shall be appraised, assessed and taxed as provided by applicable
 3 laws and rules.

4 (8) ~~Effective January 1, 2004, t~~There is created within the Idaho state
 5 tax commission the CFTM. The membership of the CFTM shall be:

6 (a) A nonvoting chairman who shall be the member of the Idaho state tax
 7 commission assigned to property tax matters;

8 (b) ~~Four (4) members selected from the membership of the intermountain~~
 9 ~~forest association who are representing business entities owning not~~
 10 ~~less than five thousand (5,000) acres of Idaho forest land, provided~~
 11 ~~that there shall be only one (1) representative for each individual~~
 12 ~~business entity and provided further that affiliated business entities~~
 13 ~~shall be considered a single business entity for the purposes of this~~
 14 ~~section. The business entity employing such member shall designate a~~
 15 ~~successor member at its discretion. If a vacancy occurs among the rep-~~
 16 ~~resentatives of forest landowners owning not less than five thousand~~
 17 ~~(5,000) acres, a replacement member will be selected by the remaining~~
 18 ~~members qualifying under the provisions of this section;~~

19 (c) One (1) member selected from the membership of the Idaho forest own-
 20 ers' association;

21 (d) Five (5) members selected from the membership of the Idaho associa-
 22 tion of counties; and

23 (e) The state superintendent of public instruction or his/her de-
 24 signee, in a nonvoting capacity.

25 The CFTM may retain a forest economist selected by a majority of its members
 26 to advise the CFTM.

27 The costs of each CFTM member shall be borne by the respective member.
 28 The fees and costs of the forest economist shall be borne as determined by the
 29 CFTM.

30 The CFTM may prepare and deliver written reports to the house of rep-
 31 resentatives revenue and taxation and senate local government and taxation
 32 committees of its findings and recommendations for legislation as the need
 33 may arise. The CFTM may meet periodically as determined by its chairman or
 34 the CFTM.